

Message Text

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ACTION EUR-08

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S E C R E T SECTION 01 OF 02 BONN 01606

LIMDIS

E.O. 11652: GDS
TAGS: ECON, FR, GW
SUBJECT: SPD DISCUSSIONS WITH PSF ON ECONOMIC ISSUES;
BRANDT VISIT TO PARIS

REF: PARIS 01052

1. FOLLOWING EMERGED DURING INFORMAL CONVERSATION
WITH KNOWLEDGEABLE SPD SOURCE.

2. THE SOCIAL DEMOCRATIC PARTY (SPD) AND THE FRENCH
SOCIALISTS (PSF) HAVE BEEN CONDUCTING DISCUSSIONS ON
ECONOMIC POLICY ISSUES IN THE FRAMEWORK OF A WORKING
GROUP ESTABLISHED IN APRIL 1976. RECENTLY THESE DIS-
CUSSIONS HAVE INTENSIFIED IN ANTICIPATION OF SOME COMMON
LANGUAGE THAT MAY FIGURE IN THE STATEMENT OR COMMUNIQUE
MARKING THE FORTHCOMING VISIT OF WILLY BRANDT TO PARIS
TO TALK TO MITTERAND (FEBRUARY 3). IN ADDITION, OTHER
JOINTLY DEVELOPED VIEWS MAY BE PUBLISHED SHORTLY IN A
JOINT SPD/PSF PAPER.

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3. GENERAL. THE SPD MEMBERS WHO HAVE BEEN INVOLVED IN
THESE ECONOMIC DISCUSSIONS TEND TO VIEW THE PSF AS
RELATIVELY UNREALISTIC, IMMODERATE, AND INDEED IMMATURE
ON ECONOMIC ISSUES. TO SOME DEGREE, THIS IS A FUNCTION
OF A PARTY WHICH HAS NOT BEEN IN POWER--IDEALS UNTEMPERED
BY REALITY. IN THIS SENSE, IT IS REMINISCENT OF THE SPD
ITSELF BEFORE 1966. IN ANOTHER SENSE, AS OUR SOURCE

PUT IT, IT IS THE RESULT OF THE PECULIAR COMBINATION ONE GETS WHEN ONE PUTS TOGETHER FRENCH ATTITUDES, PLUS OLD TRADITIONS OF CENTRALISM COMING FROM THE JACOBINS AND FROM NAPOLEON, PLUS MARXISM. THE DIFFERENCES BETWEEN THE SPD AND THE PSF TEND TO BE MORE WITH THE PARTY OR POLITICAL FIGURES IN THE PSF, RATHER THAN WITH THE PARTY'S ECONOMIC EXPERTS.

4. FOLLOWING ARE GISTS OF THE EXCHANGE OF VIEWS BETWEEN SPD AND PSF ON SPECIFIC SUBJECTS INCLUDING INFLATION, PROTECTIONISM, NATIONALIZATION, AND "PLANIFICATION" (CENTRAL PLANNING).

5. INFLATION. ON BALANCE, THE SPD HAS FOUND THE PSF TO BE LESS INFLATIONARY THAN IT IS SOMETIMES DESCRIBED. IN THIS REGARD, WE WERE TOLD THAT ONE REASON BEHIND THE SEPTEMBER PSF/PCF SPLIT WAS OVER INFLATION AND RELATED MATTERS. THE PCF WANTED THE MINIMUM WAGE SET AT 2,400 FRANKS, THE SOCIALISTS AT 1,700. THE PSF ITSELF, IN OUR SOURCE'S VIEW, WOULD LIKE TO KEEP INFLATION BELOW THE TEN PERCENT RATE. REALISTICALLY, HOWEVER, THEY WOULD PROBABLY NOT BE ABLE TO ACHIEVE THIS RESULT WERE THEY IN OFFICE. THEY APPEAR TO ACCEPT THE PROSPECT THAT INFLATION WOULD INCREASE SIGNIFICANTLY IF THE LEFT CAME INTO POWER IN FRANCE, BUT THIS IS NOT AN ECONOMIC OR IDEOLOGICAL DESIRE OF THE PSF, BUT RATHER A REALISTIC PRACTIC-
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AL ESTIMATE. IN SUM, INFLATION IS NOT AN AREA ON WHICH THERE HAS BEEN BASIC DISAGREEMENT BETWEEN THE SPD AND THE PSF IN THEIR DISCUSSIONS.

6. PROTECTIONISM. THE SPD HAS PUSHED HARD WITH THE PSF AGAINST PROTECTIONISM. THEY PROPOSED AND ARGUED FOR A JOINT PUBLIC FORMULA SUPPORTING AN "OPEN WORLDWIDE COMMERCIAL POLICY." THE PSF RESISTED, THEN AGREED ON A COMPROMISE FORMULA FAVORING AN OPEN TRADING SYSTEM AND OPPOSING PROTECTIONISM, BUT PUTTING THIS OBJECTIVE IN THE CONTEXT OF EXISTING AND/OR FUTURE TREATIES OR AGREEMENTS WITH OTHER COUNTRIES. THE SPD REALIZES THAT WHILE THEY THEMSELVES WILL INTERPRET THIS COMPROMISE AS AN EXPRESSION OF OPENNESS, IT WILL BE INTERPRETED BY THE PSF AS A CAVEATED TURN OF PHRASE WHICH WILL THEN COVER LIKELY CONTINUING PROTECTIONIST VIEWS. OUR SOURCE ALSO NOTED THAT THE PSF HAD FREQUENTLY POINTED OUT IN DISCUSSIONS WITH THE SPD THAT THEIR VIEW OF PROTECTIONISM IS NOT THAT DIFFERENT FROM GISCARD'S OR THE FRENCH GOVERNMENT'S. IN SUM, THIS AREA REMAINS ONE ON WHICH THE SPD AND THE PSF HAVE, IN EFFECT, AGREED TO DISAGREE.

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7. NATIONALIZATION. THE SPD HAS A CERTAIN DEGREE OF UNDERSTANDING FOR SOME PSF VIEWS ON THIS MATTER, BUT ALSO MAJOR DIFFERENCES. THE AREAS OF RELATIVE UNDERSTANDING RELATE TO:

A. COMPANIES WHICH ARE IN EFFECT MONOPOLIES AND WHICH ARE INVOLVED LARGELY OR PRIMARILY IN DEFENSE PRODUCTION FOR THE GOVERNMENT. IN A SENSE, THESE COMPANIES ARE ALREADY CREATURES OF THE GOVERNMENT IN ECONOMIC TERMS. THE PSF HAS PREPARED A LIST OF SUCH COMPANIES.

B. COMPANIES WHICH CAN ONLY SURVIVE THROUGH SUBSIDIES FROM THE STATE, AND WHICH THE PSF, AS WE WERE TOLD, BELIEVES COULD EITHER BE NATIONALIZED, OR REORGANIZED IN SUCH A WAY THAT A STATE WOULD OWN A SIGNIFICANT PART OF THE SHARES.

8. WHERE THERE IS DISAGREEMENT IN PRINCIPLE IS WITH THE PSF VIEW THAT CERTAIN COMPANIES NOT IN THE CATEGORIES ABOVE SHOULD BE NATIONALIZED SIMPLY BECAUSE THEY ARE LARGE--I.E., FOR IDEOLOGICAL REASONS AND WITHOUT A

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SERIOUS ECONOMIC RATIONALE. OUR SOURCE ALSO SAID THAT, ACCORDING TO ROCAH OF THE PSF, THE PCF HAD WANTED TO NATIONALIZE MORE THAN 50 PERCENT OF EXISTING FRENCH INDUSTRY, AND THAT THIS WAS ANOTHER OF THE TANGIBLE REASONS BEHIND THE PCF/PSF BREAK IN SEPTEMBER.

9. CENTRAL PLANNING. IN GENERAL, THE SPD HAS FOUND THAT THE PSF HAS AN OVERLY GRANDIOSE INTEREST IN "PLANNIFICATION," WHICH THE SPD FINDS UNREALISTIC AND UNLIKELY TO FUNCTION IN PRACTICE. THIS AREA THUS CONSTITUTES ANOTHER FIELD IN WHICH THE TWO PARTIES DISAGREE. AT THE SAME TIME, OUR SOURCE DESCRIBED ELEMENTS OF REALISM IN THE PSF APPROACH. FOR EXAMPLE, THE PSF WOULD LIKE TO PRESERVE THE CONCEPT OF THE MARKET AND MARKET FORCES, WHILE INSTITUTING GREATER STATE ECONOMIC DIRECTION. FURTHER, THEY WOULD LIKE TO COUNTER-BALANCE NATIONALIZATION AND/OR MORE CENTRALIZED PLANNING BY GREATER DECENTRALIZATION AT THE REGIONAL LEVEL, GIVING MUNICIPALITIES AND REGIONAL COUNCILS GREATER INFLUENCE THAN THEY HAVE NOW. STOESSEL

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